

**DEPARTMENT OF MENTAL HEALTH,  
RETARDATION AND HOSPITALS  
SOUTH SHORE MENTAL HEALTH CENTER, INC.  
REPORT ON CONTRACT COMPLIANCE  
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998**

**DEPARTMENT OF ADMINISTRATION  
BUREAU OF AUDITS  
ONE CAPITOL HILL  
PROVIDENCE, RI 02908-5889**



STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS

Department of Administration  
BUREAU OF AUDITS  
One Capitol Hill  
Providence, R.I. 02908-5889  
TEL #: (401) 222-2768  
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South Shore Mental Health Center, Inc.  
REPORT ON CONTRACT COMPLIANCE  
Fiscal Years Ended June 30, 1999 and 1998

EXECUTIVE SUMMARY

The prior audit report for the South Shore Mental Health Center, Inc., issued November 12, 1998 by the Bureau of Audits, cited 2 recommendations which have been complied with.

Based on our contract compliance engagement for the fiscal years ended June 30, 1999 and 1998 we determined the following:

1. MHRH over funded the Center's Community Support and Related Services Program by \$566,023.
2. There were unauthorized excessive budget line item variances in the Community Support and Related Services Program.
3. Deficiencies were noted in the management of the Representative Payee Program.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
SOUTH SHORE MENTAL HEALTH CENTER, INC.  
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

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June 27, 2000

Ms. A. Kathryn Power, Director  
Department of Mental Health, Retardation and Hospitals  
Barry Hall - 2  
600 New London Avenue  
Cranston, RI 02920

Dear Ms. Power:

We have completed an audit of the contracts between the Department of Mental Health, Retardation and Hospitals (MHRH) and South Shore Mental Health Center, Inc., for the fiscal years ended June 30, 1999 and 1998.

The findings and recommendations included herein have been discussed with management and we have considered their comments in the preparation of our report. Section 35-7-4 of the General Laws requires the director of the department audited to respond in writing within sixty days to all recommendations made by the Bureau of Audits. A copy of your reply should also be sent directly to Robert L. Carl, Jr., Ph.D., Director, Department of Administration; Honorable Antonio J. Pires, Chairman of the House Finance Committee; and Honorable J. Michael Lenihan, Chairman of the Senate Finance Committee.

We wish to express our appreciation to the officials of the Department of MHRH and to the director and staff members of South Shore Mental Health Center, Inc., for the assistance, cooperation and courtesies extended to us during the course of this examination.

Sincerely,

Stephen M. Cooper, CFE, CGFM  
Chief, Bureau of Audits

SMC:pb

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
SOUTH SHORE MENTAL HEALTH CENTER, INC.  
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

SCOPE AND PURPOSE

The purpose of this audit was to determine compliance with your department's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the Matching Grant Contracts and with the terms and conditions contained within the Community Support, Residential and Acute Alternative Services Contracts as to:

- whether revenues were matchable or nonmatchable;
- total matchable income used as the basis for funding fiscal years 2001 and 2000;
- whether reported expenses were allowable and properly allocated;
- whether reported revenues were accurate; and
- any over or under funding on behalf of the Department of Mental Health, Retardation and Hospitals.

Our audit of the financial records included verification of revenues and expenses through testing procedures to the extent we deemed necessary in the circumstances. Occupancy requirements and resident contributions were examined for adherence to contract specifications. Client fund management was reviewed for conformance with applicable policies and guidelines.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
SOUTH SHORE MENTAL HEALTH CENTER, INC.  
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

BACKGROUND

Section 40.1-8.5-6 of the General Laws of the State of Rhode Island authorizes the Director of the Department of Mental Health, Retardation and Hospitals (MHRH) to make grants to community mental health boards to provide mentally disabled children and adults services which shall include but not be limited to psychiatric, medical, nursing, psychological, social, rehabilitative and support services provided in the prevention, diagnosis, treatment and follow-up of mental disabilities, and in addition, may include those services designated to prevent mental disabilities or be of a consultative, informational or educational nature about mental disabilities. It is under this authorization that South Shore Mental Health Center, Inc., operates.

It is the intent of the law that an individual's eligibility to receive any public or private assistance be exhausted prior to the expenditure of state and local monies.

The Center owns and occupies administrative offices at 4705A Old Post Road, Charleston, Rhode Island, and in addition, owns and occupies a facility housing community support programs located at 55 Cherry Lane, Wakefield, Rhode Island.

The Center is governed by a board of directors consisting of not more than 17 nor less than 9 individuals elected annually. The board is presently comprised of 10 members.



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Ms. A. Kathryn Power, Director  
Department of Mental Health, Retardation and Hospitals  
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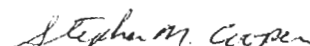
Dear Ms. Power:

We have performed the procedures enumerated below, which were agreed to by the Department of Mental Health, Retardation and Hospitals (MHRH) and South Shore Mental Health Center, Inc. (Center), solely to assist the users in evaluating management's assertion about the Center's compliance with the Division of Integrated Mental Health's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers to the matching Grant contracts and with the financial terms and conditions contained within the Community Support Residential and Acute Alternatives Services contracts during the fiscal years ended June 30, 1999 and 1998, included in the accompanying Report on Contract Compliance. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

For purposes of this engagement we tested compliance with the above mentioned specified requirements for determining matchable revenues, allowable costs, accuracy of reported activities and any excess funding on behalf of MHRH. Based on the application of the procedures referred to above, we became aware of overfunding by MHRH in the Community Support, Residential and Acute Alternatives Services Contract with the Center for the fiscal year 1999 and instances of noncompliance with its provisions for fiscal years 1999 and 1998. Further, deficiencies were noted with management of client funds. These matters are discussed in the accompanying "Findings and Recommendations" section of this report.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertion. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of MHRH and the Center and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

  
Stephen M. Cooper, CFE, CGFM  
Chief, Bureau of Audits  
November 12, 1999

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
SOUTH SHORE MENTAL HEALTH CENTER, INC.  
STATEMENT OF REVENUES AND EXPENSES  
FISCAL YEAR ENDED JUNE 30, 1999

	Community Support, Residential, and Acute Alternatives	Adult General Outpatient Services	Other Programs	Title XIX Medicaid	Total
<u>Revenues</u>					
MHRH	\$ 1,131,343	114,933	-	-	1,246,276
Disability - Day Program	24,400	-	-	-	24,400
DCYF	-	-	665,193	-	665,193
Title XIX Medicaid	-	-	-	3,545,069	3,545,069
Municipalities	-	36,669	36,669	-	73,338
Contributions & Fund Raising-Net	-	19,983	23,482	-	43,465
Third Party Reimbursements	114,122	116,242	885,153	-	1,115,517
Client Fees & Rent	74,870	26,614	5,354	-	106,838
Other Grants	4,200	-	22,027	-	26,227
Investment Income	21,349	1,063	13,797	-	36,209
Miscellaneous	2,808	78	743	-	3,629
Total Revenues	\$ 1,373,092	315,582	1,652,418	3,545,069	6,886,161
<u>Expenses</u>					
Personnel	\$ 2,415,782	239,202	1,530,842	-	4,185,826
Operating	1,249,978	72,143	846,244	-	2,168,365
Purchased Equipment	43,047	-	121,718	-	164,765
Total Expenses	\$ 3,708,807	311,345	2,498,804	-	6,518,956
<u>Other Financing Sources (Uses)</u>					
Interfund Transfer-Title XIX - Medicaid	2,901,738	24,075	619,256	(3,545,069)	-
Excess (Deficiency) of Revenues Over Expenses	\$ 566,023	28,312	(227,130)	-	367,205

See accompanying notes to financial information.



DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
SOUTH SHORE MENTAL HEALTH CENTER, INC.  
STATEMENT OF REVENUES AND EXPENSES  
FISCAL YEAR ENDED JUNE 30, 1998

	Community Support Residential, and Acute Alternatives	Adult General Outpatient Services	Other Programs	Title XIX Medicaid	Total
<u>Revenues</u>					
MHRH	\$ 1,002,975	97,369	-	-	1,100,344
Disability-Day Program	24,400	-	-	-	24,400
DHS-Vocational Rehab.	13,864	-	-	-	13,864
DCYF	-	-	619,901	-	619,901
Title XIX Medicaid	-	-	-	2,803,934	2,803,934
Municipalities	-	39,132	39,132	-	78,264
Contributions & Fund Raising	-	73,021	73,021	-	146,042
Third Party Reimbursements	169,218	93,101	659,062	-	921,381
Client Fees & Rent	85,966	27,951	253	-	114,170
Investment Income	8,277	351	4,405	-	13,033
Miscellaneous	10,984	55	1,971	-	13,010
Total Revenues	\$ 1,315,684	330,980	1,397,745	2,803,934	5,848,343
<u>Expenses</u>					
Personnel	2,298,421	234,823	1,323,864	-	3,857,108
Operating	1,186,597	70,191	679,812	-	1,936,600
Purchased Equipment	164,861	-	13,206	-	178,067
Total Expenses	\$ 3,649,879	305,014	2,016,882	-	5,971,775
<u>Other Financing Sources (Uses)</u>					
Interfund Transfer-Title XIX-Medicaid	\$ 2,045,272	15,924	742,738	(2,803,934)	
Fellowship Health Resources, Inc.	96,347	-	-	-	96,347
Total Other Financing Sources	2,141,619	15,924	742,738	(2,803,934)	96,347
Excess (Deficiency) of Revenues Over Expenses	\$ (192,576)	41,890	123,601	-	(27,085)

See accompanying notes to financial information.

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DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
SOUTH SHORE MENTAL HEALTH CENTER, INC.  
STATEMENT OF OPERATIONS - TITLE XIX PROGRAM  
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

	Fiscal Year Ended June 30	
	1999	1998
<u>Beginning Balance</u>	\$ -	-
Revenues Received Designated for Programs	<u>3,545,069</u>	<u>2,803,934</u>
<u>Revenues Applied:</u>		
Community Support and Related Services	2,901,738	2,045,272
Adult General Outpatient Services	24,075	15,924
Other Programs	<u>619,256</u>	<u>742,738</u>
Total Applied	<u>3,545,069</u>	<u>2,803,934</u>
<u>Ending Balance</u>	\$ <u>-</u>	<u>-</u>

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
SOUTH SHORE MENTAL HEALTH CENTER, INC.  
STATE MATCHING PROGRAM  
DETERMINATION OF OVER (UNDER) PAYMENT OF STATE MATCHING FUNDS  
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

	Fiscal Year Ended June 30			
	1999		1998	
<u>State Funds Allocated:</u>				
Adult General Outpatient Services	\$ 119,550		101,979	
Community Support, Residential and Acute Alternatives	<u>119,550</u>	<u>239,100</u>	<u>101,979</u>	<u>203,958</u>
Matchable Revenues - Fiscal Years Ended June 30, 1997 and 1996		<u>502,396</u>		<u>116,744</u>
<u>Determination of Over (Under) Payment of State Funds</u>				
State Funds Allocated (Note 2)		239,100		203,958
Deduct Lesser of:				
(A) Applicable Percentage of Matchable Revenues		239,100		203,958
(B) State Funds Allocated		239,100		203,958
Maximum Support - Lesser of A, or B (Note 3)		<u>239,100</u>		<u>203,958</u>
Over (Under) Payment of State Matching Funds	\$	<u>-</u>		<u>-</u>

See accompanying notes to financial information.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
SOUTH SHORE MENTAL HEALTH CENTER, INC.  
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

NOTES TO FINANCIAL INFORMATION

Note 1 - Significant Accounting Policies

Basis of Accounting

The financial statements are presented on the accrual basis of accounting which is in compliance with the Division of Behavioral Health Services's Rules, Regulations and Standards for Funding of Matching Grant Programs in Community Mental Health Centers. Under this basis, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred.

Note 2 - State Funds Allocated - Exhibit D

These amounts represent the total of the matching grants encumbered by the Department of MHRH for the operation of South Shore Mental Health Center, Inc.

Note 3 - Maximum Support - Exhibit D

State funds allocated are subject to the lesser of the following:

- A. 174.66% of the matchable revenue for the fiscal year ended June 30, 1997 and 47.592% of the matchable revenue for the fiscal year ended June 30, 1996.
- B. The maximum state funding as determined above cannot exceed the dollar amount originally allocated for the respective fiscal year.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
SOUTH SHORE MENTAL HEALTH CENTER, INC.  
STATE MATCHING PROGRAM  
SCHEDULE OF MATCHABLE AND NONMATCHABLE REVENUES  
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

	Fiscal Year Ended June 30	
	1999	1998
<u>State of Rhode Island</u>		
Adult General Outpatient Services	\$ 114,933	97,369
Community Support, Residential & Acute Alternatives	<u>1,029,364</u>	<u>883,425</u>
Total State Funds Allocated	1,144,297	980,794
<u>Matchable Revenues</u>		
Local Communities	899,815	620,603
Fund Raising-Net	13,698	576
Contributions-Net	<u>32,200</u>	<u>144,578</u>
Total Matchable Revenues for the Fiscal Years (Ended June 30, 2001 and 2000)	945,713	765,757
<u>Nonmatchable Revenues</u>		
Community Support, Residential, and Acute Alternatives	101,979	119,550
Title XIX Program	3,545,069	2,803,934
Client Fees & Rent	101,484	113,917
Other Programs	775,397	781,517
Third Party Reimbursements	230,364	262,319
Fund Raising Expense	16,560	888
Investment Income	22,412	8,628
Miscellaneous	<u>2,886</u>	<u>11,039</u>
Total Nonmatchable Revenues	<u>4,796,151</u>	<u>4,101,792</u>
Total Revenues (Exhibits A and B, Respectively)	\$ <u>6,886,161</u>	<u>5,848,343</u>

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DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
SOUTH SHORE MENTAL HEALTH CENTER, INC.  
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

STATUS OF PRIOR AUDIT RECOMMENDATIONS JUNE 30, 1997

Community Support and Related Services Program

1. If performance standards have, in fact, been deemed satisfactory by the Department for the period under review, officials of MHRH should take into account the excess revenue of \$77,536 as available income for the Community Support Services Program when determining subsequent funding to South Shore Mental Health Center, Inc.

Complied.

State Matching Program

2. MHRH officials should adjust their records accordingly and not match the \$7,500 MHSIP grant in fiscal year ending June 30, 1999.

Complied.

DEPARTMENT OF MENTAL HEALTH, RETARDATION AND HOSPITALS  
SOUTH SHORE MENTAL HEALTH CENTER, INC.  
FISCAL YEARS ENDED JUNE 30, 1999 AND 1998

CURRENT YEARS FINDINGS AND RECOMMENDATIONS

Net Operations

Net operating results for the Center's programs for the fiscal years ended June 30, 1999 and 1998 are summarized below:

Revenue Excess (Deficiency) - Exhibits A and B

<u>Program</u>	<u>1999</u>	<u>1998</u>
Community Support, Residential, and Acute Alternatives	\$ 566,023	(192,576)
General Outpatient Services	28,312	41,890
Other Programs	(227,130)	123,601
Total Revenue (Deficiency)	\$ <u>367,205</u>	<u>(27,085)</u>

Community Support, Residential, and Acute Alternatives

The Community Support, Residential, and Acute Alternatives Program has excess revenues in the amount of \$566,023 for the fiscal year ended June 30, 1999. Addendum II of the performance contracts for fiscal year states:

"...The use or disposition of these restricted reserve funds is subject to the approval of the Department either at the time of the budget approval, or by subsequent request and review by the Department."

Recommendation

1. MHRH officials should take into account the excess revenue of \$566,023 as available income for the community support services when determining subsequent funding to South Shore Mental Health Center, Inc.

Excessive budget line item variances occurred in the Community Support, Residential, and Acute Alternatives contracts for the fiscal years ended June 30, 1999 and 1998. Addendum II, Section II-4 of the financial terms and conditions states:

"An amendment to the approved budget on file with the Department and included in summary fashion as part of this contract, is required when:

- a.) There is a line item deviation of more than 10% or \$5,000, whichever is greater; or,
- b.) There is a deviation of 5% or more in major budget categories (Personal Services, Operating). A deviation of 5% in the overall budget is allowed without amendment provided that the budget does not show a deficit as a result. Additional spending of "Working Capital" requires the specific approval of the Department.

The deviation in approved budget is allowed with approval only when funds are available within the respective major budget category.

Budget amendments are limited to two per year, and must be requested before May 15<sup>th</sup>.

Spending beyond the budget without amendment will result in the disallowance of the added expenditure."

Line items in excess of 10% or \$5,000, whichever is greater is as follows:

<u>Line Item</u>	<u>6/30/99</u>	<u>6/30/98</u>
Travel	\$ 13,452	5,297
Building Maintenance	3,706	-
Postage, Printing & Advertising	5,516	-
Allocated Operating Expenses	4,740	-

The Center did not submit line item budget amendment requests relating to the above line items to MHRH as required by the above State contract provisions.

Recommendation

- 2. MHRH officials should take steps to enforce and ensure that line item deviations are adhered to by providers in accordance with the above contract provisions and recover the added expenditures in accordance with contractual provisions as stated above.



### State Matching Program

It was determined that there was no over or under payment of state matching funds during the period reviewed. (See Exhibit D)

Matchable revenues were examined for fiscal years ended June 30, 1999 and 1998 and are summarized as follows:

	<u>1999</u>	<u>1998</u>
Municipal Revenues	\$ 899,815	620,603
Net-Fund Raising	13,698	576
Net-Contributions	<u>32,200</u>	<u>144,578</u>
Total Matchable Revenues	\$ <u>945,713</u>	<u>765,757</u>

Funds received in the fiscal years ended June 30, 1999 and 1998 will be the basis for determining state funds allocated by the Department of MHRH for the subsequent fiscal years ending June 30, 2001 and 2000, respectively.

### Other Programs

This account represents funding from sources other than MHRH-Division of Behavioral Health Services.

### Revenue Deficiencies

It is our understanding that each contract stands on its own and that any expenses in excess of the contracted amounts be absorbed by the provider.

During the period under review the following Division of Integrated Mental Health Services contracts had revenue deficiencies:

1998 - Community Support, Residential, and Acute Alternatives	\$ (192,576)
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### Representative Payee Program

The Center manages, under the guidelines of the Social Security Administration's Representative Payee Program, Social Security and SSI payments to approximately 30 clients. During the course of our examination the following deficiencies were noted:

Some bank accounts were not in both the name of the client and the representative payee as required by Social Security Representative Payee Policy No. 00603.010 B.1. which states:

"The preferred account title is (Name of Beneficiary) by (Name of Representative Payee)."

Some client cash ledger sheets did not have current pertinent information recorded.

The name of a caseworker who terminated employment with the Center several years ago appeared on the savings account of a Representative Payee.

### Recommendation

3. MHRH officials should monitor the management of client accounts to ensure that the Center is in compliance with Social Security Representative Payee regulations and that the above mentioned deficiencies are corrected.

### Affiliated Corporations

The Center formed several nonprofit corporations which provide services adjunctive to the Center's programs. A listing of the affiliates is as follows:

#### Alternative Living Concepts, Inc.

This real estate holding corporation was formed to create, locate, own and manage affordable housing for chronically mentally ill persons being served by the Center.

Properties currently owned by this corporation are as follows:

45 Gould Street, Wakefield, R.I.  
25 Amos Street, Peacedale, R.I.  
2317 Kingstown Road, South Kingstown, R.I.

#### Institute of Human Development, Inc.

This organization is currently dormant.

Shore Courts, Inc.

This organization was incorporated on March 9, 1999 for the purpose of developing, owning and operating apartments for persons with chronic mental illness and will be funded by a HUD Section 811 Capital Advance, Thresholds and the Department of Mental Health, Retardation and Hospitals.